

**DSRSD-EBMUD RECYCLED WATER AUTHORITY
(DERWA)
Board of Directors Regular Meeting Minutes
Monday, March 22, 2004**

Dublin San Ramon Services District
7051 Dublin Boulevard, Dublin, California

1. CALL TO ORDER – Chair Scannell called the DSRSD-EBMUD Recycled Water Authority (DERWA) meeting to order at 7:02 p.m. at the Dublin San Ramon Services District Boardroom.

2. PLEDGE TO THE FLAG

3. ROLL CALL – Directors present: Chair Daniel Scannell, Vice Chair Frank Mellon, and Director Jeffrey Hansen. DERWA Staff present: Robert Baker, Authority Manager; Richard Lou, Treasurer; Robert Maddow, General Counsel; and Nancy Gamble Hatfield, Authority Secretary

4. CLOSED SESSION

At 7:05 p.m. the Board went into Closed Session.

- A. Conference with Legal Counsel to consider initiation of litigation pursuant to Government Code Section 54956.9 (c): one case.
- B. Public Employee Performance Evaluation–Government Code Section 54957
Pay for Performance
Title: Authority Manager

5. REPORT FROM CLOSED SESSION

At 8:00 p.m. the Board came out of Closed Session. Chair Scannell announced that there was no reportable action.

6. SPECIAL ANNOUNCEMENTS/ACTIVITIES

Chair Scannell announced that he wanted to present the framed proclamations to John Coleman and Katy Foulkes; however, with neither in attendance, V.C. Mellon volunteered to present both proclamations at the next EBMUD Board meeting.

7. PUBLIC COMMENT – 8:03 p.m. – None received.

8. APPROVE MINUTES – Special Meeting of *December 15, 2003* and Special Meeting of *February 23, 2004*

Motion by V.C. Mellon, Second by Director Hansen to approve minutes from the December 15, 2003 and February 23, 2004 meetings. Motion carried (3-0) by the following vote:

AYES: Mellon, Hansen, Scannell

NOES:

9. CONSENT CALENDAR

A. Treasurer's Report – February 29, 2004

Motion by V.C. Mellon, Second by Director Hansen to approve the Consent Calendar.

Motion carried (3-0) by the following vote:

AYES: Mellon, Hansen, Scannell

NOES:

10. BOARD BUSINESS

A. Authority Manager Pay for Performance Plan for Calendar Year 2004

Authority Manager Baker explained that this item was to request approval of a Pay for Performance Plan for the Authority Manager for Calendar Year 2004. He noted that he expected that the Board was quite familiar with the plan, as they had reviewed it earlier tonight and at the February Board meeting. To complete this item, the Board would need to consider approval of the plan and specify the "Limit of Program Award."

V.C. Mellon agreed that the Board was familiar with the proposed plan and that it was now appropriate for the Board to set the maximum award for Calendar Year 2004 as described on page two of the plan. V.C. Mellon reviewed the recent events related to the development of the plan noting that there was a 5% differential in Mr. Baker's salary request and the adjustment granted. As a result, the Board agreed to have the Authority Manager develop a Pay for Performance Plan to provide additional incentive. V.C. Mellon suggested the Board set the Limit of Program Award at 10%. He believed this amount would provide incentive as well as recognize the importance of projects to be accomplished.

Director Hansen stated that such a program should act as a performance plan and not an augmentation of a salary. He explained that the maximum award set for top achieving senior managers at DSRSD is typically 15%. Director Hansen suggested that this be the same amount offered to the Authority Manager as a maximum award since much entrepreneurship will be necessary in this next phase of the DERWA project. He noted that 15% is reserved for the highest achievers and has not been given often, generally awards are in the 8% range; however, this would allow the Board some choices should the Authority Manager produce some superlative work.

Chair Scannell reported that he and V.C. Mellon met with the Authority Manager to further understand the scope of the importance of the goals in the Pay for Performance Plan. He complimented Authority Manager Baker on the revised version of the Plan. Chair Scannell commented that he understood V.C. Mellon's comments regarding the award percentage. He concurred with Director Hansen that the maximum award was typically set at 15% and based on specific parameters that the employee must achieve, with the average award resulting between 8% and 12%. The 15% however would give the Board more flexibility and provide additional incentive to the Authority Manager.

V.C. Mellon commented that he would support the proposed 15% for the Limit of Program Award.

Motion by V.C. Mellon, Second by Director Hansen to approve the DERWA Authority Manager Annual Pay for Performance Plan and setting the Limit of Program Award at 15% for Calendar Year 2004. Motion carried (3-0) by the following vote:

AYES: Mellon, Hansen, Scannell

NOES:

11. MONTHLY WORKSHOP

None

12. MANAGER'S REPORT

- DERWA Construction Update (Attachments) – Authority Manager Baker highlighted the format change in the Construction Update. There is now a narrative description of the overall project and a Microsoft Project schedule for the Treatment Plant portion of the project. The contractors are still finalizing the project schedules.

Authority Manager Baker thought there might be some confusion about the split of responsibility between the Authority Manager and Member Agencies. He stated that the Member Agencies are 100% in charge of their construction work. Mr. Baker's role will be to work on controlling the budget and processing payment requests from Member Agencies as well as ensuring appropriate cost splits are applied for each Member Agency and that grant and loan billings are properly processed. He will also be in charge of the public notification process.

- Contracts Initiated Since the Board Meeting of February 23, 2004 (Attachment) – Mr. Baker referred the Board to the list of contracts initiated since the last Board meeting and highlighted the fact that he is contracting with specific consulting firms for many small projects to quickly complete the work.
- DERWA Office Move – The DERWA office trailer is now located in the DSRSD back parking lot and has electric power and installed communication lines. DERWA purchased some economical furniture since it is more expensive to rent furniture for longer than seven months. The District notified the neighbors of the impending trailer delivery, as requested by Director Hansen. The trailer is going to be painted to match the District's Administration Building.
- Pump Station 2A Progress – The project for Pump Station 2A is moving forward and is part of the Phase 2 work. The pump station will be located on the Iron Horse Trail near the intersection of Bollinger Canyon Road and the Iron Horse Trail. The Army Corps of Engineers has started the design. The Corps cannot buy property, so DERWA is talking with Sunset Property to purchase the land for the pump station. An ideal location was found for the pump station; however, Sunset desires that it be placed underground. As a result, during the design of

the pump station, the key issues have been: 1) where to place the pump station on the site; and, 2) whether or not the pump station can be buried underground and will this be cost prohibitive. The project team performed an analysis and recommended the underground pump station alternative, which should avoid environmental issues. Additionally, Sunset is in favor of an underground pump station because this would not affect the nearby aesthetics, and the cost penalty to build a pump station underground is relatively modest, approximately 10% of the construction costs.

- Operations Agreement – The initial plan is for DSRSD to operate the DERWA system and an agreement is needed. Mr. Baker hired RMC to draft an operations agreement for the purposes of discussion and negotiations. The negotiating team held a kickoff meeting last week to develop an outline for the agreement. The next meeting will be April 6 to finalize the outline, and then RMC will develop a draft agreement, which will serve as the starting point for negotiations.
- Salt Mitigation – In 1997, DERWA entered into an agreement with Alameda County Water District (ACWD) to mitigate effects of salt that come from using recycled water. The issue is that dissolved salt from recycled water can theoretically percolate into the groundwater and eventually enter into Alameda Creek, which flows into the flood control channel, and then to the Quarry Lakes and eventually percolates into the groundwater. ACWD believes they have to spend money to remove the salts from the groundwater. They built a reverse osmosis plant to remove total dissolved solids (TDS) from the groundwater. Since DERWA theoretically contributes to the salt in the groundwater, ACWD expects DERWA to pay for a portion of the ACWD's desalination plant. Todd Engineers performed a study to calculate the estimated amount of salt that migrates from DERWA recycled water to the ACWD wells. The cost split between the Member Agencies must be determined. Todd Engineers was hired to redo the computer model for the current project to help determine what the split should be. In the next few months, DERWA will begin to negotiate with ACWD the amount of payment for their reverse osmosis plant.
- City of Dublin Presentation – The Dublin City Council has requested a presentation on the DERWA project. Chair Scannell will attend the upcoming council meeting with staff and represent DERWA.
- Confirm Next Meeting Date – The next regular Board meeting is Monday, April 26.

13. BOARDMEMBER ITEMS

V.C. Mellon reported that he was recently on Bollinger Road and was pleased to see lots of purple pipes. He also commented on his recent visit to Florida where they fully utilize recycled water.

Chair Scannell commented that he frequently runs on the Iron Horse Trail near Village Parkway and Alcosta and his impression was that DERWA is doing a seamless construction job. He hopes the remainder of construction goes as well.

14. ADJOURNMENT

Chair Scannell adjourned the meeting at 8:26 p.m.

Submitted by,

Nancy Gamble Hatfield
Authority Secretary